

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM**

Meeting Date: May 22, 2007

Executive Summary

***Request for Final Resolution and Assistance
From the Small Business Assistance Fund***

Prepared by: *Deanna Hamelin*

Applicant: Bay Counties Waste Services, Incorporated and/or its Affiliates	Amount Requested: \$5,310,000 Application No.: 797(SB) Final Resolution No.: 469
Project City of Sunnyvale Location: (Santa Clara County)	Prior Actions: IR 07-05 Approved 4/24/07

Type of Business: Bay Counties Waste Services, Inc., and/or its Affiliates doing business as Bay Counties SMaRT (the Company) provides refuse collection and disposal services to the cities of Sunnyvale, Palo Alto, and Mountain View.

Project Description: The Company was recently awarded a contract to operate the Sunnyvale SMaRT Station. Under the seven year operating agreement, the Company will operate the city-owned materials recovery facility (MRF) and transfer station. Solid waste collected within the cities of Sunnyvale, Palo Alto, and Mountain View is delivered and processed at this facility. To meet the expectations of this contract, the Company must acquire additional equipment, such as tractors, loaders, forklifts, containers, and maintenance vehicles to enhance the existing operation (the “Project”). The Company also may acquire additional construction and demolition (C&D) equipment to support the possible increase of C&D diversion. Should the Company decide not to acquire the C&D equipment, \$500,000 will be reallocated to the Rolling Stock fund and \$500,000 will be reallocated to the MRF Operations equipment fund. Some of the equipment will be purchased prior to the actual start of the Company’s operation of the facility. These early purchases are necessary to ensure the Company will be prepared to fulfill the contract agreements and begin operations by January 1, 2008. The Company anticipates the remaining equipment purchases will be completed by January 2009.

Public Benefits: The Company represents the Project is designed to generate the public benefits described below.

Waste Diversion. The Sunnyvale SMaRT Station currently processes approximately 1200 tons per day (tpd) of solid waste, and is permitted by Santa Clara County to process 1500 tpd. The Company represents the Project is not intended to increase the tonnage received; however, the Project will increase the amount of waste that is diverted from the tonnage that is received. The current operator diverts approximately 18-20% of the tonnage received. The Company hopes to increase the diversion rate at the SMaRT Station to approximately 25%.

Pollution Control: The Company represents the Project will generate the pollution control benefits described below.

Air Quality. The Company anticipates that new rolling stock, tractors, forklifts, and maintenance vehicles will reduce emissions of hydrocarbons, carbon monoxide, nitrogen oxides,

and other particulate matter. In addition, the Company represents that all new mechanized equipment will be California Air Resources Board (CARB) compliant.

Water Quality. The reduction of particulate matter in the air will reduce contamination in water run-off. Operations at the SMaRT station will also reduce surface contamination thereby preventing any seepage of contaminants into the ground water.

Energy Efficiency. The new tractors, forklifts, and maintenance vehicles to be purchased will be more fuel efficient and, therefore, reduce the consumption of fossil fuels.

SBAF Assistance: The Company is a small business, eligible for assistance from the SBAF in an amount not to exceed \$214,960.

Permits: The Sunnyvale MRF and transfer station is fully permitted. The Company represents it has obtained all necessary permits and has provided staff with copies of the permits and documentation of CEQA compliance.

Anticipated Timeline: The Company anticipates starting the equipment purchases in late May or June 2007. Completion is anticipated by January 2009. By contract, the Company must begin operation of the SMaRT Station by January 1, 2008.

Local Government Support: The Company provided a letter from Otto Lee, Mayor of the City of Sunnyvale, stating that the Project is important and beneficial to the city. Mr. Lee further stated that the Project will help the City in its overall plan to comply with current waste diversion requirements (Attachment A).

Financing Details: The Company anticipates a negotiated, tax-exempt, weekly reset variable rate bond issue with a term not to exceed 15 years. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from Comerica Bank that is rated at least “A+” or better by Fitch or equivalent. The target date for financing is July 2007. The TEFRA hearing was held on April 11, 2007.

Financing Team:

Underwriter:	Westhoff, Cone, & Holmstedt
Bond Counsel:	Law Offices of Leslie M. Lava
Financial Advisor:	Andrew S. Rose
Issuer’s Counsel	Julia Bilaver, Office of the Attorney General

Legal Questionnaire: The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed that raises questions concerning the financial viability or legal integrity of the applicant.

Staff Recommendation: Staff recommends approval of Final Resolution No. 469 in an amount not to exceed \$5,310,000 and a SBAF Resolution in an amount not to exceed \$214,960 for Bay Counties Waste Services, Inc. and/or its Affiliates.

**BAY COUNTIES WASTE
SERVICES, INC. AND/OR ITS
AFFILIATES**

Bond Amount: \$5,310,000

City of Sunnyvale, Santa Clara County

Application No. 797(SB)

May 22, 2007

STAFF SUMMARY – CPCFA

Prepared by: *Deanna Hamelin*

ISSUE:

Bay Counties Waste Services, Inc. and/or its Affiliates requests approval of (i) Final Resolution No. 469 in an amount not to exceed \$5,310,000 to finance the purchase of equipment to enhance operations, and (ii) a resolution in an amount not to exceed \$214,960 from the Small Business Assistance Fund (SBAF).

CDLAC Allocation. The Company has applied for CDLAC allocation at its scheduled May 23, 2007 meeting.

TEFRA. The TEFRA hearing was held on April 11, 2007. There were no comments received in support of or in opposition to the financing.

SBAF Assistance. The Company is a small business, eligible for assistance from the SBAF in an amount not to exceed \$214,960.

BORROWER:

Bay Counties Waste Services, Inc., and/or its affiliates (the “Company”) was incorporated in California on January 1, 1993. The Company provides refuse collection and disposal services to the cities of Sunnyvale, Palo Alto, and Mountain View. The Company was awarded a contract to operate the Sunnyvale SMaRT Station, an existing materials recovery facility (MRF) and transfer station, owned by the City of Sunnyvale. Bay Counties Waste Services, Inc. is affiliated with the following companies:

- Alameda County Industries
- Mission Trail Waste Systems
- Santa Clara Valley Industries

Some of the owners of the Company hold ownership interests in other Bay Area solid waste enterprises, including the companies listed below, but the Company represents there is no common majority ownership or control of those entities:

- Pleasanton Garbage Service
- South San Francisco Scavenger Company
- Amador Valley Industries
- Garden City

The principal stockholders of the Company are as follows:

Robert J. Molinaro	24.2%
Anthony Macchiano.....	10.6%
William Dobert	9.1%
Brian Storti.....	6.1%
Doug Button.....	5.0%
Jerry Nabhan	5.0%
Paul Formosa	5.0%
Ron Fornesi.....	5.0%
John Rossi	5.0%
Michael Achiro	5.0%
Craig Stagnero Trust.....	5.0%
Richard Gotelli.....	5.0%
Joanne Bortoli	5.0%
Stephanie Uccelli-Menner	5.0%
Total:	100%

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 4/27/2007
Mission Trail Waste Systems, Inc. 2001A	5/17/2001	\$3,500,000	\$2,090,000
Santa Clara Valley Industries, LLC 1998A	3/04/1998	\$8,495,000	\$2,825,000
Alameda County Industries 2000A	5/24/2000	\$10,310,000	\$6,035,000
Mission Trail Waste Systems, Inc. 2002A	10/02/2002	\$7,555,000	\$5,080,000
Specialty Solid Waste & Recycling 2001A	5/17/2001	\$10,920,000	\$2,505,000
TOTALS:		<u>\$40,780,000</u>	<u>\$18,535,000</u>

PROJECT INFORMATION:

The Company was recently awarded a contract to operate the Sunnyvale SMaRT Station. Under the seven year operating agreement, the Company will operate the city-owned MRF and transfer station. Solid waste collected within the cities of Sunnyvale, Palo Alto, and Mountain View is delivered and processed at this facility. To meet the expectations of this contract, the Company must acquire additional equipment, such as tractors, loaders, forklifts, containers, and maintenance vehicles to enhance the existing operation (the “Project”). The Company also may acquire additional construction and demolition (C&D) equipment to support the possible increase of C&D diversion. Should the Company decide not to acquire the C&D equipment, \$500,000 will be reallocated to the Rolling Stock fund and \$500,000 will be reallocated to the MRF Operations equipment fund. Some of the equipment will be purchased prior to the actual start of the Company’s operation of the facility. These early purchases are necessary to ensure the Company will be prepared to fulfill the contract agreements and begin operations by January 1, 2008. The Company anticipates the remaining equipment purchases will be completed by January 2009.

The anticipated Project and issuance costs are listed below:

Project Components	Cost
Rolling stock, tractors, loaders, forklifts, trailers, roll-off truck	\$2,995,300
Construction and Demolition Equipment	1,000,000
MRF Operations; Miscellaneous maintenance equipment such as generators, vacuums, conveyors, and scales	500,000
Containers	329,400
Transfer Operations; Maintenance Equipment such as sweepers, lifts, and conveyors	94,000
Administrative/Office/Support	81,300
Bond Issuance Expenses	106,200
Capitalized Interest	106,200
Letter of Credit Fee	94,921
Contingency Fee	2,679
TOTAL:	<u>\$5,310,000</u>

Note: The Project costs reported in the Borrower's application and shown here in staff's report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

PUBLIC BENEFITS:

The Company represents the Project is designed to generate the public benefits described below.

Waste Diversion. The Sunnyvale SMaRT Station currently processes approximately 1200 tons per day (tpd) of solid waste, and is permitted by Santa Clara County to process 1500 tpd. The Company represents the Project is not intended to increase the tonnage received; however, the Project will increase the amount of waste that is diverted from the tonnage that is received. The current operator diverts approximately 18-20% of the tonnage received. The Company hopes to increase the diversion rate at the SMaRT Station to approximately 25%.

POLLUTION CONTROL:

The Company represents the Project will generate the pollution control benefits described below.

Air Quality. The Company anticipates that new rolling stock, tractors, forklifts, and maintenance vehicles will reduce emissions of hydrocarbons, carbon monoxide, nitrogen oxides, and other particulate matter. In addition, the Company represents that all new mechanized equipment will be California Air Resources Board (CARB) compliant.

Water Quality. The reduction of particulate matter in the air will reduce contamination in water run-off. Operations at the SMaRT station will also reduce surface contamination thereby preventing any seepage of contaminants into the ground water.

Energy Efficiency. The new tractors, forklifts, and maintenance vehicles to be purchased will be more fuel efficient and, therefore, reduce the consumption of fossil fuels.

PERMITTING & ENVIRONMENTAL APPROVALS:

The Sunnyvale MRF and transfer station is fully permitted. The Company represents it has obtained all necessary permits and has provided staff with copies of the permits and documentation of CEQA compliance.

ANTICIPATED TIMELINE:

The Company anticipates starting the equipment purchases in late May or June 2007. Completion is anticipated by January 2009. By contract, the Company must begin operation of the SMaRT Station by January 1, 2008.

LOCAL GOVERNMENT SUPPORT:

The Company provided a letter from Otto Lee, Mayor of the City of Sunnyvale, stating that the Project is important and beneficial to the city. Mr. Lee further stated that the Project will help the City in its overall plan to comply with current waste diversion requirements (Attachment A).

FINANCING DETAILS:

The Company anticipates a negotiated, tax-exempt, weekly reset variable rate bond issue with a term not to exceed 15 years. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from Comerica Bank that is rated at least “A+” or better by Fitch or equivalent. The target date for financing is July 2007. The TEFRA hearing was held on April 11, 2007.

FINANCING TEAM:

Underwriter: Westhoff, Cone, & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: Julia Bilaver, Office of the Attorney General

RECOMMENDATION:

Staff recommends approval of Final Resolution No. 469 in an amount not to exceed \$5,310,000 and a SBAF Resolution in an amount not to exceed \$214,960 for Bay Counties Waste Services, Inc. and/or its Affiliates.

CITY OF SUNNYVALE

The Heart of Silicon Valley™

456 WEST OLIVE AVENUE SUNNYVALE, CALIFORNIA 94086 (408) 730-7400

March 15, 2007

Otto Lep
MayorAnthony (Tony) Spilanes
Vice MayorJohn N. Howe
CouncilmemberDean J. Chu
CouncilmemberRon Szwedles
CouncilmemberMelinda Hamilton
CouncilmemberChristopher R. Maylan
CouncilmemberMs. Joanie Jones-Kelly
Executive Director
DCLAC
State of California
915 Capitol Mall, Room 303
Sacramento CA 95814RE: California Debit Limit Allocation Committee, Exempt Facility
Approvals Bay Counties Waste Services, Inc. Project

Dear Ms. Jones-Kelly:

I write to you today to voice my support for Bay Counties Waste Services, Inc. relating to its environmental project for which approval will be requested at the California Debit Limit Allocation Committee (CDLAC) meeting in May. The project consists of purchasing trucks, trailers, loaders, and other equipment needed to operate the Sunnyvale Materials Recovery and Transfer (SMaRT®) Station. On February 13, 2007, the City awarded to Bay Counties the 2008-2014 contract to operate the SMaRT Station®, which provides vital recycling and waste transfer services to the cities of Palo Alto, Mountain View and Sunnyvale.

I understand that in order to receive approval for the issuance of tax-exempt bonds, on whose lower interest rates the "project" economics has been based, that CDLAC must grant part of the State's allocation for "private activity" bonds, as defined by the federal government, to the Project. I further understand that the demand for such allocation is greater than ever and far exceeds the available allocation.

While I can imagine that your job in apportioning the available allocation among competing beneficial projects is difficult, I want to let you know that this project is important to the City of Sunnyvale. It is a project that is a part of, and crucial to, our overall plan of compliance with the AB 939 waste diversion requirements. In addition, Bay Counties Waste Services and we agree that the implementation of this project is a cost-

Attachment A

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Joanie Jones-Kelly
March 15, 2007
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effective addition to our overall program, taking into account cost, technology and expected waste diversion.

On behalf of the City of Sunnyvale, I would therefore strongly urge that you approve the Bay Counties Waste Services project at your meeting in May.

Sincerely,



Otto Lee
Mayor

cc: Amy Chan, City Manager
Marvin Rose, Director of Public Works

Final Resolution No. 469
Application No. 797(SB)

**FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING FOR SOLID WASTE DISPOSAL EQUIPMENT
FOR BAY COUNTIES WASTE SERVICES, INC. AND/OR ITS AFFILIATES**

May 22, 2007

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has heretofore approved the application of Bay Counties Waste Services, Inc., doing business as BAY COUNTIES SMART, a California corporation (the “Applicant”), for financial assistance to finance the acquisition of solid waste collection trucks, carts, bins, containers and other vehicles and equipment, all of which will be used to serve the Borrower’s customers throughout its service territory in Santa Clara County, California, and all as more particularly described in Application No. 797(SB) of the Applicant and in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$5,310,000 to assist in the financing of the Project; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower (as defined in the Term Sheet) under a loan agreement with the Authority; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, the Applicant has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, in order to enhance the marketability of the bonds, the Applicant has arranged for a financial institution, as named in the Term Sheet, to secure the bonds through the issuance of its direct-pay irrevocable letter of credit, thereby guaranteeing their repayment;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Applicant is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Bay Counties Waste Services, Inc. Project) Series 2007A” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$5,310,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax-exempt or taxable mode.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time before December 31, 2007, by negotiated sale, at such price and at such interest rate or rates as he may determine.

Section 4. The proposed form of a generic loan agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower, as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Chairman and the Executive Director of the Authority are hereby authorized and directed, for and on behalf and in

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the name of the Authority, to execute, acknowledge and deliver to the Borrower the Loan Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the officer executing the same, with the advice of the Attorney General of the State of California (the “Attorney General”), may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 5. The proposed form of a generic indenture relating to the Bonds (the “Indenture”), between the Authority and a trustee named in the Term Sheet (the “Trustee”), as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Chairman and the Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Trustee, the Indenture in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the officer executing the same, with the advice of the Attorney General, may require or approve, and with particular

information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 6. The proposed form of a generic bond purchase contract (the “Purchase Contract”) among the underwriter or underwriters named in the Term Sheet (the “Underwriters”), the Treasurer and the Authority, as approved by the Borrower, as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Authority hereby authorizes and approves the execution and delivery of the Purchase Contract, in substantially the form filed with or approved by the Authority, by the Chairman or the Executive Director of the Authority, for and on behalf and in the name of the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the Attorney General, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of a generic official statement (the “Official Statement”) as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Chairman or the Executive Director of the Authority is hereby authorized, for and on behalf and in the name of the Authority, to execute and deliver the Official Statement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as such officer, with the advice of the Attorney General, may approve or require, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriters are hereby authorized to distribute and deliver copies of the Official Statement to purchasers of the Bonds, with such changes therein as may be approved or required by the Attorney General. The distribution of copies of the Official Statement in preliminary form is hereby

authorized and approved. The Chairman or the Executive Director of the Authority is hereby authorized and directed to execute and deliver any amendments or supplements to the Official Statement which include, without limitation, amendments or supplements to the Authority's disclosure set forth in the form of Official Statement filed with or approved by the Authority, which they may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds.

Section 8. The forms of the Loan Agreement, the Indenture, the Purchase Contract and the Official Statement described in Sections 4, 5, 6 and 7 hereof, respectively, shall, if not on file with the Authority, be substantially similar to the Loan Agreement, the Indenture, the Purchase Contract and the Official Statement executed in connection with the issuance of the California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Garden City Sanitation, Inc. Project) Series 2007A with particular information inserted therein in conformance with the Term Sheet.

Section 9. The Chairman of the Authority is hereby authorized and directed to execute, by manual or facsimile signature, in the name and on behalf of the Authority and under its seal, the Bonds, in one or more series, in an aggregate principal amount not to exceed \$5,310,000, in accordance with the fully executed and delivered Indenture and the form of bond set forth therein.

Section 10. The Bonds, when so executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriters in accordance with written instructions executed on behalf of the Authority by the Chairman or the Executive Director of the Authority, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Authority, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to The

Depository Trust Company, on behalf of the Underwriters thereof, upon payment of the purchase price thereof.

Section 11. The Authority hereby dedicates and confirms its allocation to the Bonds issued in a tax-exempt mode (the “Tax-Exempt Bonds”) of a portion of its private activity bond limit, as previously received, carried forward or to be received from the California Debt Limit Allocation Committee, in an amount up to the applicable principal amount of Tax-Exempt Bonds issued and delivered to finance certain costs of the Project, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Tax-Exempt Bonds.

Section 12. As requested by the Applicant, the Authority hereby waives the requirement for an in-furtherance certificate relating to the solid waste disposal facilities portion of the Project pursuant to Section 44533(a) of the Act.

Section 13. The Chairman or the Executive Director of the Authority are each hereby authorized and directed, acting alone, to do any and all ministerial acts, including (without limitation) to execute and deliver any and all documents and certificates, including the tax certificate, they may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise to effectuate the purpose of this resolution. The Treasurer is hereby requested and authorized to take any and all acts within his or her authority as agent for sale that he or she may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise effectuate the purposes of this resolution.

Section 14. Whenever in this resolution, an officer is authorized to make insertions, deletions or changes to a document with the advice of the Attorney General, that officer may take such actions with the advice of other counsel retained by the Authority as issuer's counsel, if the retention of such counsel has been approved by the Attorney General. Such counsel may also approve or require changes to the Official Statement pursuant to the terms of Section 7 hereof.

Section 15. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this final resolution for the Applicant shall not be referred to in any

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application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

TERM SHEET

Name of Issue:	California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Bay Counties Waste Services, Inc. Project) Series 2007A (the “Bonds”)
Maximum Amount of Issue:	\$5,310,000 (tax-exempt)
Issuer:	California Pollution Control Financing Authority (the “Authority”), Sacramento, CA
Applicant	Bay Counties Waste Services, Inc.
Borrower:	Bay Counties Waste Services, Inc.
Affiliate	“Affiliate” of the Applicant means any person or entity which meets the definition of “Participating Party” under the Act and controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.
Trustee:	The Bank of New York Trust Company, N.A.
Senior Underwriter or Placement Agent:	Westhoff, Cone & Holmstedt
Bond Counsel:	Leslie M. Lava, Esq. Sausalito, CA
Remarketing Agent:	Westhoff, Cone & Holmstedt
Project:	Finance (i) the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto, all to be located at 301 Carl Road, Sunnyvale, California 94089, and (ii) the acquisition of containers to be located with customers in various incorporated and unincorporated portions of Santa Clara County, California.

Maximum Bond Term:	Not to exceed 15 years
Type of Sale:	Negotiated sale
Description of Minimum Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof while in variable rate mode
Financing Structure:	Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture
Maximum Interest Rate:	12%
Letter of Credit:	Provided by Comerica Bank or another bank approved by the Executive Director that is rated at least “A-”.
Other Credit Enhancement:	Not applicable
Anticipated Bond Rating:	“A+/F1” (minimum “A-”)
Type of Financing:	Solid waste disposal revenue bonds
Prepared by:	Leslie M. Lava, Esq. (415) 331-6464 April 25, 2007

RESOLUTION OF THE CALIFORNIA
POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO ASSISTANCE FROM THE SMALL
BUSINESS ASSISTANCE FUND FOR
BAY COUNTIES WASTE SERVICES, INC.
AND/OR ITS AFFILIATES

May 22, 2007

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has approved the application of Bay Counties Waste Services, Inc., doing business as BAY COUNTIES SMART (the “Applicant”), for financial assistance to finance the acquisition of solid waste collection trucks, carts, bins, containers and other vehicles and equipment, all to be located in Santa Clara County, California, as more particularly described in Application No. 797(SB) of the Applicant (the “Project”) and has adopted its Resolution 469 (the “Final Resolution”) authorizing the issuance of revenue bonds to provide such financial assistance; and

WHEREAS, the Authority has established the Small Business Assistance Fund (the “Fund”) to assist small businesses to obtain pollution control financing through the issuance of tax-exempt revenue bonds (the “Bonds”); and

WHEREAS, the Authority has received and accepted an application from the Applicant for assistance from the Fund; and

WHEREAS, the Applicant has demonstrated a financial capability to make loan payments to the satisfaction of the issuer of a direct pay letter of credit securing the Bonds, as named in the Final Resolution; and

WHEREAS, authorization of assistance from the Fund is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Applicant and the Borrower (as defined in the Final Resolution) is a “Small Business” as classified pursuant to Title 13 Code of Federal Regulations, Part 121, Subpart A (1-1-94 Edition) or it has 500 employees or less, and is otherwise eligible for assistance from the Fund.

Section 2. The Project constitutes a “project” within the meaning of the California Pollution Control Financing Authority Act.

Section 3. The Authority hereby authorizes and approves up to \$ 214,960 of assistance from the Fund to the Borrower to be used for payment of initial Letter of Credit fees and certain costs of issuance of the Bonds. The actual amount of assistance shall be determined by the Executive Director or the Deputy Executive Director of the Authority based upon the final terms of the sale of the Bonds.

Section 4. The Executive Director or Deputy Executive Director of the Authority is hereby authorized and directed, jointly and severally, to do any and all ministerial acts and to execute and deliver a contract for financial assistance with the Borrower in conformance with the terms of this resolution, which he or she may deem necessary or advisable in order to provide the assistance from the Fund and otherwise to effect the purposes of this resolution.

Section 5. This resolution shall take effect immediately upon adoption hereof. The adoption by the Authority of this resolution for the Applicant shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.